

**Case Statement and Workload Analysis
Waste Reduction Fee Proposal
Environmental Science and Services Division
November 2008**

Overview – Pollution Prevention and Environmental Assistance Program

Michigan's Pollution Prevention and Environmental Assistance Program (P2/EAP Program), administered by the Environmental Science and Services Division, provides information, technical, compliance, and financial assistance to businesses, institutions, and communities and the general public in accordance with Parts 143 and 145 of the Natural Resource and Environmental Protection Act of 1984. The P2/EAP Program facilitates the reduction of toxic materials, hazardous and solid waste generation, and energy use, through reuse, reduction, and recycling. It also recognizes environmental leadership and encourages business-to-business and business-to-community mentoring, while helping businesses, municipalities, and the public understand and meet their environmental responsibilities under state and federal environmental law.

The Program includes the following major components:

Program Elements	Full-Time Equivalent Positions (FTEs)
Compliance Assistance: <ul style="list-style-type: none">· Permit Coordination· Regulatory Assistance· Audit Privilege· Environmental Results· Environmental Assistance Center (EAC)	7
Pollution Prevention: <ul style="list-style-type: none">· Statewide Pollution Prevention Programs and Initiatives· Community Based/Local Government Assistance· Clean Corporation Citizen· Energy· Grant/Project Management· Greening Government· Sustainability	16
Environmental Reporting: <ul style="list-style-type: none">· Information Management and Reporting· Community Right-to-Know	2.5
Education and Outreach: <ul style="list-style-type: none">· Conference Planning· Training	2.7
Administration	<u>3.5</u>
Total FTEs	31.7

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Program Funding

Fees are assessed on businesses according to quantities of hazardous waste disposed at Michigan Treatment, Storage, and Disposal (TSDs) facilities. The rate, which was set in 1987, is \$10.00 per ton, \$10.00 per cubic yard, 1/2 cent per pound or 4 cents per gallon. The fee is collected by Michigan TSDs (landfill or solidification facilities) and is assessed regardless of whether the waste is generated in state or out of state. Fees are not collected on hazardous waste generated in Michigan but disposed out of state.

In the 1990s the revenues from the fees exceeded pollution prevention program expenditures and in 1999 there was a \$10 million surplus in the Waste Reduction Fund (WRF). Over the next five fiscal years, as the State confronted severe budgetary problems, over \$5 million of the surplus was diverted to address other operating expenses. Concurrent with this, the WRF revenues declined significantly, so that by fiscal year 2005, expenditures for pollution prevention and related programs exceeded revenues.

Confronted with an impending program budget deficit in fiscal year 2007, the department requested and received in a fiscal year 2006 supplemental, a \$3 million transfer to the WRF from the principle in the Community Pollution Prevention Fund. Table 1: "Waste Reduction Fund – Projected Balance FY 05 thru FY13" gives a summary of the Waste Reduction Fund balance.

Proposed Program Funding Change

The ESSD is proposing a change in the fees assessed on the disposal of hazardous waste in a landfill. To sustain the current level of pollution prevention and compliance assistance services provided to businesses and communities, the fees will have to be raised 50%. The current fees were set in 1987 and are based on the quantity of hazardous waste specified on the manifest or monthly operating reports submitted to the DEQ by the landfill owner or operator. The proposal raises the fees to \$15 per ton, \$15 per cubic yard, 6 cents per gallon, and 3/4 cent per pound of hazardous waste disposed.

The proposed fee will be implemented on January 1, 2010, to offset a projected deficit in the Waste Reduction Fund balance that is forecast to occur during fiscal year 2011. This is the first modification in the fee structure in over 20 years, and will provide enough operating capital to ensure continuation of critical services through 2013. See Table 2 "Waste Reduction Fund Projected Balances - 50 percent increase".

Evaluation of Need for Proposed Program Funding Change

Without the proposed fee increase, staff will be reduced through attrition and layoffs. Programs such as recycling assistance, the environmental assistance call center, mercury reduction, permit coordination, and assistance to local communities could be seriously reduced or eliminated. The loss of the services provided through these programs will place more pressure on limited resources in regulatory programs and will result in significant increases in the generation of toxic emissions and hazardous and solid waste and increased instances of noncompliance with state and federal environmental requirements. Increased instances of noncompliance will also put the public and workers at risk and further environmental degradation. Since pollution prevention helps reduce waste and operational costs, loss of these services could increase the cost of doing business in Michigan.

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Studies conducted by the National Pollution Prevention Roundtable estimate that every government dollar invested in pollution prevention programs results in \$5 in cost savings and economic benefits. Failure to employ source reduction and recycling techniques reduces economic competitiveness and increases the environmental burden to air, land, and water.

Michigan leads the nation in developing innovative pollution prevention and compliance assistance programs which has resulted in the adoption of cost-effective, environmentally protective practices that benefit both business and the environment. It has won more national pollution prevention awards than any other state in the nation. The program has helped over 10,000 businesses, 200 state parks and recreation areas, and 30 universities and community colleges. The incorporation of pollution prevention practices result in measurable waste reduction in the release of toxic chemicals and in lessening risks embedded in the waste handling infrastructure. In 2007, the Michigan Business Pollution Prevention Partnership (MBP3) Program reduced:

- 294 million gallons of water
- 37 million pounds of non-hazardous materials
- 2,300 million pounds of solid waste
- 40 million pounds of air emissions
- 346 GW/hrs of electricity

Michigan also has a well-respected Environmental Assistance Program (EAP), which is highly valued and in strong demand by the business community. The major objectives of the program is to assure businesses, municipalities, and the public understand and obtain assistance in meeting their environmental responsibilities. The value of the EAP has been recognized by the Michigan Legislature, as they have introduced at least four bills in the past several years directing the DEQ to provide compliance assistance, i.e. Food and Vegetable Food Processors Guide and Compliance Assistance Strategy.

Improvements, Efficiencies, and Program Reductions

The ESSD has made every conceivable effort to streamline its pollution prevention and compliance assistance programs and services to eliminate inefficiencies and lower costs. For example, the Great Printers Pollution Prevention Program, Metal Finisher Initiative, and Small Chemical Manufacturers Pollution Prevention Initiative were merged into the Michigan Business Pollution Prevention Program (MBP3) as a cost saving measure to conserve resources, thus enabling the redeployment of staff to priority projects such as the mercury reduction initiative and electronic waste recycling.

The ESSD restructured its P2 field services operations by expanding staff responsibilities and their respective geographic territory. Further, the ESSD has formed strategic partnerships with industry and non-governmental organizations such as National Pollution Prevention Roundtable, the Quicksilver Caucus, Next Energy, Michigan Local Public Heath Association, Michigan Recycling Coalition, Michigan Agriculture Environmental Assurance Program, and local governments, and Sustainable Business Forums to improve services and foster economic development and sustainability.

The ESSD recently modified the RETAP coverage to include energy audits without increasing cost or staffing levels. Since 2004, RETAP has conducted P2 and energy assessments at over 53 State of Michigan owned and leased facilities. The assessments focused on conservation measures to be found in heating, ventilation and air conditioning (HVAC) and steam operations, lighting and electrical usage, and water and sewer usage. These assessments identified over \$3 million in potential annual savings.

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Technology is utilized wherever possible to improve services and increase productivity. Recently, the ESSD leveraged three U.S. Environmental Protection Agency (U.S. EPA) grants to streamline the reporting of environmental data required under Sections 312 (Hazardous Chemical Inventory) and 313 (Toxic Chemical Release Inventory) of Title III of the federal Superfund Amendments & Reauthorization Act (SARA Title III) of 1986 to enable electronic reporting through the Internet directly to the U.S. EPA, State, and Local Emergency Planning Committees (LEPC). This has significantly reduced the reporting burden on industry and the data processing burden on the U.S. EPA, State and LEPCs. Data quality is improved by eliminating the hand entry of data. The data is now available quicker and more accurate than in the past, and it can be reliably used for developing environmental policies and strengthening the public's right-to-know.

ESSD has been fiscally conservative and has not utilized its entire appropriation from the WRF. It has been downsizing through attrition and fund shifts, reducing WRF pollution prevention and compliance assistance staffing from 55 positions in 1999-2000 to 31 in 2006, a 43 percent decrease that has been maintained through the current fiscal year. The WRF funds recycling and composting activities in the DEQ Waste and Hazardous Materials Division.

Without a fee increase by the start of calendar year 2010, program reductions will have to be implemented. To prepare for the projected compounding deficit, it will be necessary to abolish a substantial number of positions, eliminating programs and reducing services. The reduction will result in a substantial cut in pollution prevention and environmental assistance services. The projected impacts of the cuts include:

- Reduce support for environmental reporting programs such Community Right to Know.
- Eliminate the Environmental Assistance Call Center
- Eliminate assistance to businesses and municipalities on recycling and composting.
- Reduce support for business and community-based environmental leadership and P2 partnership programs.
- Reduce Field Services Programs.
- Reduce ESSD administrative support by 50%.
- Eliminate all but only the essential education/outreach function supporting DEQ and regulatory community.

These reductions will have significant repercussions. The consequence of abolishing most pollution prevention and compliance assistance services would lead to a significant increase in pollution and noncompliance with environmental requirements. This in turn will result in increased business costs, environmental degradation, and increased risk to public health.

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Table 1: Waste Reduction Fund – Projected Balance FY 05 thru FY13

Fiscal Year	FY-05	FY-06	FY-07	FY-08	FY-09	FY-10	FY-11	FY-12	FY-13
Beginning Balance	3,021,504	1,685,292	4,227,907	3,999,016	2,935,016	2,028,416	722,416	(696,084)	(2,230,384)
Fee Revenue	2,536,493	5,757,345	3,381,811	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Available to Expend	5,557,997	7,442,637 ³	7,609,718	6,499,016	5,435,016	4,528,416	3,222,416	1,803,916	269,616
Total WR. Fees Expended	3,872,705	3,214,730	3,610,702	3,564,000	3,406,600	3,806,000	3,918,500	4,034,300	4,153,700
Year-end Balance	1,685,292	4,227,907	3,999,016	2,935,016	2,028,416	722,416	(696,084)	(2,230,384)	(3,884,084)

ASSUMPTIONS:

1. Expected revenue FY08 thru FY12 @ \$2.5 M per year.
2. FY05 Total \$4,619,500 appropriation (ESSD \$4,116,100, Rent \$51,700, WHMD \$66,900,DIT \$384,800, Dept. Assessment of \$485,900)
3. FY06 Total \$4,671,900 (ESSD \$4,127,400, Ex. Op. & Dept. Support \$259,700, WHMD \$69,000, DIT \$215,800) NOTE: Revenue includes one-time transfer of \$3,000,000.
4. FY07 Total appropriation \$4,988,900 (ESSD \$4,169,700, Ex. Op. & Dept. Support \$296,300, Cost Alloc. Phase-In \$266,900, DIT \$184,200, WHMD \$71,800).
5. FY08 Total appropriation \$5,227,000 (ESSD \$4,405,000, Ex. Op. & Dept. Support \$563,200, DIT \$184,200, WHMD \$74,600)
6. FY09 Total appropriation \$4,591,600 (ESSD \$3,835,000, Ex. Op. & Dept. Support \$480,800, DIT \$200,900, WHMD \$74,900); ESSD exp. 2.65% of '08 actual
7. FY10 based on 2.65% increase in expenditures; loss of ERF (\$310,600)
8. FY11 and FY13 based on 3% increase in expenditures

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Table 2: Waste Reduction Fund – Projected Balance FY 05 thru FY13 with 50% Increase

Fiscal Year	FY-05	FY-06	FY-07	FY-08	FY-09	FY-10	FY-11	FY-12	FY-13
Beginning Balance	3,021,504	1,685,292	4,227,907	3,999,016	2,935,016	2,028,416	1,659,916	1,491,416	1,207,116
Fee Revenue	2,536,493	5,757,345	3,381,811	2,500,000	2,500,000	3,437,500	3,750,000	3,750,000	3,750,000
Available to Expend	5,557,997	7,442,637	7,609,718	6,499,016	5,435,016	5,465,916	5,409,916	5,241,416	4,957,116
Total WR. Fees Expended	3,872,705	3,214,730	3,610,702	3,564,000	3,406,600	3,806,000	3,918,500	4,034,300	4,153,700
Year-end Balance	1,685,292	4,227,907	3,999,016	2,935,016	2,028,416	1,659,916	1,491,416	1,207,116	803,416

ASSUMPTIONS:

1. Expected revenue FY08 thru FY12 @ \$2.5 M per year.
2. FY05 Total \$4,619,500 appropriation (ESSD \$4,116,100, Rent \$51,700, WHMD \$66,900,DIT \$384,800, Dept. Assessment of \$485,900)
3. FY06 Total \$4,671,900 (ESSD \$4,127,400, Ex. Op. & Dept. Support \$259,700, WHMD \$69,000, DIT \$215,800) NOTE: Revenue includes one-time transfer of \$3,000,000.
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6. FY09 Total appropriation \$4,591,600 (ESSD \$3,835,000, Ex. Op. & Dept. Support \$480,800, DIT \$200,900, WHMD \$74,900); ESSD exp. 2.65% of '08 actual
7. FY10 based on 2.65% increase in expenditures; loss of ERF (\$310,600)
8. FY11, FY12, FY 13 based on 3% increase in expenditures